

**ANNUAL  
FINANCIAL REPORT  
OF THE  
CITY OF HARLAN, IOWA  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2014**

**CITY OF HARLAN, IOWA  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2014  
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CITY OF HARLAN  
List of Principal Officials  
June 30, 2014

Title	Name
Mayor .....	Gene Gettys
Council Member.....	Jay Christensen
Council Member.....	Mike Kolbe
Council Member.....	David Pedersen
Council Member.....	Aaron Anliker
Council Member.....	Dan Schumacher
Council Member.....	Dave Miller
City Attorney.....	Todd Argotsinger
City Administrator/City Engineer.....	Terri Cox
City Clerk.....	Debra Sawyer
City Treasurer .....	Marjorie Ahrenholtz

## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Members of the City Council  
City of Harlan, Iowa

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the CITY OF HARLAN, IOWA (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Harlan Municipal Utilities, (a discretely presented component unit), which statements reflect total assets of \$53,577,006 and total program revenues of \$14,814,904 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Harlan Municipal Utilities, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of

the City of Harlan, Iowa, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and schedule of funding progress for retiree health plan on pages 4 through 14 and 49 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

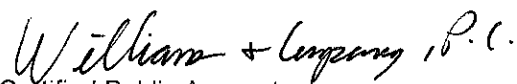
#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2014, on our consideration of the City of Harlan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Harlan's internal control over financial reporting and compliance.

  
Certified Public Accountants

Le Mars, Iowa  
November 11, 2014

## **Management's Discussion and Analysis**

**June 30, 2014**

This discussion and analysis of the City of Harlan financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2014. We encourage the readers to consider the information presented here in conjunction with the City's financial statements that follow this report, as well as the separately issued financial statements of Harlan Municipal Utilities, a discretely presented component units of the City.

### **Financial Highlights**

- The assets of the City of Harlan exceeded liabilities at June 30, 2014 by \$16,375,387. Of this amount, \$3,558,493 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position increased by \$304,108 during the year. Of this amount, the governmental activities decreased by \$58,951 and the net position of our business activities increased by \$363,059.
- The City's long-term debt decreased \$535,000 during the current fiscal year.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

In addition to the Management Discussion and Analysis, this annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government. An additional part of the basic financial statements are the Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

## REPORTING THE CITY AS A WHOLE

### The Statement of Net Position and the Statement of Activities

The government-wide statements report information about the City as a whole using accounting methods similar to those used by the private sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenue and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by the private-sector companies. These two statements report the City's net position, which is the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. Additional factors, such as changes in the City's property tax base and condition of the City's infrastructure, are also important in making this determination.

In the Statement of Net Position and the Statement of Activities, we have divided the City into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, such as Police, Fire, Public Works, and Parks departments, and general administration. Taxes finance most of these activities.
- **Business Type Activities** – The City charges fees to customers to cover the cost of these services. Included here is the City's Sewer fund.

## REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds- not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show that it is properly using certain revenues (such as Sales Tax Revenues). The City has the following types of funds:



- **Governmental Funds** – Most of the City's basic services are included in Governmental Funds, which focus on how money moves into and out of these funds and the balances left at year-end are available for spending. These funds are reported using the "modified accrual basis" of accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the City's general governmental operations and basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship between Governmental Activities (reported in the Statement of Net Position and the Statement of Activities) and Governmental Funds in a reconciliation following each Governmental Fund financial statement.
- **Proprietary Funds** – When the City charges customers for the service it provides, these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The major difference between the Proprietary Fund report and the Business Type Activity we report in the government-wide statements is the detail and additional information, such as cash flows, provided in the Proprietary Fund report.

## **THE CITY AS TRUSTEE**

### **Reporting the City's Fiduciary Responsibilities**

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found behind the Fiduciary Funds statements.

## **THE CITY AS A WHOLE**

As stated earlier, net position may serve over time as a useful indicator of a government's financial position. The largest part of the City's net position reflects its investment in capital assets (land, buildings and improvements, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must

be provided from the other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following comparative chart shows the changes in net position for the years ended June 30, 2014 and 2013.

	General Governmental Activities		Business-Type Activities	
	2014	2013	2014	2013
Current and Other Assets	\$ 7,280,553	\$ 7,255,543	\$ 2,318,493	\$ 2,058,765
Capital Assets	13,956,480	14,286,637	4,551,115	4,657,162
Total Assets	21,237,033	21,542,180	6,869,608	6,715,927
Long-Term Liabilities	6,715,973	7,059,462	2,231,814	2,373,732
Other Liabilities	270,686	225,350	24,567	92,027
Total Liabilities	6,986,659	7,284,812	2,256,381	2,465,759
Deferred Inflows of Resources	2,488,214	2,436,257	-	-
Net Position:				
Net Investment in Capital Assets	10,261,480	10,140,411	2,333,270	2,296,614
Restricted	222,144	933,524	-	-
Unrestricted	1,278,536	747,176	2,279,957	1,953,554
Total Net Position	\$11,762,160	\$11,821,111	\$ 4,613,227	\$ 4,250,168

	Totals	
	2014	2013
Current and Other Assets	\$ 9,599,046	\$ 9,314,308
Capital Assets	18,507,595	18,943,799
Total Assets	28,106,641	28,258,107
Long-Term Liabilities Outstanding	8,947,787	9,433,194
Other Liabilities	295,253	317,377
Total Liabilities	9,243,040	9,750,571
Deferred Inflows of Resources	2,488,214	2,436,257
Net Position:		
Net Investment in Capital Assets	12,594,750	12,437,025
Restricted	222,144	933,524
Unrestricted	3,558,493	2,700,730
Total Net Position	\$16,375,387	\$16,071,279

This summary reflects an decrease of .50% for the governmental net position and an increase of 8.54% in the business-type net position. The governmental net position decrease is due to overall increases in operating costs. The business-type activities were due to a sewer rate increase of 3% and fewer repair costs.

Total revenue reported in Fiscal 2014 was \$8,323,271. The following table breaks down revenues collected for General Governmental Activities and Business-Type Activities for Fiscal Year 2014 and 2013:

Revenue Source	General Governmental Activities		Business-Type Activities	
	2014	2013	2014	2013
<b>Program Revenues:</b>				
Charges for Services	\$ 1,892,367	\$ 1,846,175	\$ 931,107	\$ 848,295
Operating Grants and Contributions	950,188	600,885	-	-
Capital Grants and Contributions	-	238,907	-	-
<b>Total Program Revenues</b>	<b>2,842,555</b>	<b>2,685,967</b>	<b>931,107</b>	<b>848,295</b>
<b>General Revenues &amp; Transfers</b>				
Property Taxes	3,097,939	2,986,779	-	-
Local Option Sales Tax	505,426	559,966	-	-
Interest	12,230	7,834	2,549	-
Payment in Lieu of Tax	289,583	301,452	-	-
Gain on Disposition of Assets	237,259	99,125	-	18,080
Miscellaneous	404,623	75,506	-	-
Transfers	(226,321)	(85,805)	226,321	85,805
<b>Total General Revenues &amp; Transfers</b>	<b>4,320,739</b>	<b>3,944,857</b>	<b>228,870</b>	<b>103,885</b>
<b>Total Revenues &amp; Transfers:</b>	<b>\$ 7,163,294</b>	<b>\$ 6,630,824</b>	<b>\$ 1,159,977</b>	<b>\$ 952,180</b>

Revenue Source	Totals	
	2014	2013
<b>Program Revenues:</b>		
Charges for Services	\$ 2,823,474	\$ 2,694,470
Operating Grants and Contributions	950,188	600,885
Capital Grants and Contributions	-	238,907
<b>Total Program Revenues</b>	<b>3,773,662</b>	<b>3,534,262</b>
<b>General Revenues &amp; Transfers:</b>		
Property Taxes	3,097,939	2,986,779
Local Option Sales Tax	505,426	559,966
Interest	14,779	7,834
Payment in Lieu of Tax	289,583	301,452
Gain on Sale of Assets	237,259	117,205
Miscellaneous	404,623	75,506
Transfers	-	-
<b>Total General Revenues &amp; Transfers</b>	<b>4,549,609</b>	<b>4,048,742</b>
<b>Total Revenues &amp; Transfers:</b>	<b>\$ 8,323,271</b>	<b>\$ 7,583,004</b>

Property tax revenue increased due to an increase in the employee benefit levy.

Gain on sale of assets is due to the sale of city owned property to Iowa Western Community College. Charges for services increased due to additional charges collected for various governmental activities and a sewer rate increase. Operating grants and contributions increased due to a large contribution to the activity center and donations for the high school football field project. Miscellaneous revenue increased due to RAGBRAI revenues and a large insurance settlement.

Program revenues totaled \$3,773,662 for fiscal year 2014. Governmental Activities provided \$2,842,555 and Business-Type Activities provided \$931,107.

General Revenues and Transfers for fiscal year 2014 totaled \$4,549,609. Governmental Activities provided \$4,320,739 and Business-Type Activities provided \$228,870. Property Tax Revenues for fiscal year 2014 totaled \$3,097,939.

Expenses for Fiscal 2014 totaled \$8,019,163. Expenses for Governmental Activities totaled \$7,222,245, accounting for 90.06% of total expenses. Business-Type Activity expenses totaled \$796,918, for 9.94% of the total.

The following table shows total expenditures by Function/Program for FY 2014 and FY 2013:

	Governmental Activities		Business-Type Activities	
	2014	2013	2014	2013
Public Safety	\$ 1,388,382	\$ 1,316,296	\$ -	\$ -
Public Works	1,843,059	1,746,994	-	-
Culture and Recreation	1,156,856	1,028,842	-	-
Community & Economic Development	781,498	415,685	-	-
General Government	1,842,804	1,740,667	-	-
Debt Service	209,646	230,961	-	-
Sewer System	-	-	796,918	728,208
Total Expenditures	<u>\$ 7,222,245</u>	<u>\$ 6,479,445</u>	<u>\$ 796,918</u>	<u>\$ 728,208</u>

	Totals	
	2014	2013
Public Safety	\$ 1,388,382	\$ 1,316,296
Public Works	1,843,059	1,746,994
Culture and Recreation	1,156,856	1,028,842
Community & Economic Development	781,498	415,685
General Government	1,842,804	1,740,667
Debt Service	209,646	230,961
Sewer System	796,918	728,208
Total Expenditures	<u>\$ 8,019,163</u>	<u>\$ 7,207,653</u>

Expenses in the following functions changed as follows:

Public safety increased due to an increase in ambulance service costs and police wages. Public works increased due to additional internal service charges. General government increased due to internal service expenses. Sewer fund operating costs increased in 2014.

Community and Economic Development increased due to costs associated with the DevelopSource building.

The following table shows the activities included within each program level:

<u>Program Level</u>	<u>Activity</u>
Public Safety	Police, Fire, Ambulance
Public Works	Roadway Construction, Airport Operations, Street Lighting, Transportation Services
Culture and Recreation	Education & Culture, Leisure Time Opportunities
Community and Economic Development	Economic Development, Community Beautification, Planning and Zoning
General Government	Administration, Support Services
Debt Service	Payment of Interest
Sewer System	Operation of the Waste Water Treatment Plant/Supply Distribution System

### **Governmental of Activities**

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for Public Safety, the City spent \$1,388,382 and received \$175,500 in revenue, thus leaving a cost to the taxpayer of \$1,212,882 to be funded by various methods. The new format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

Public Safety	Fines, Fees
Public Works	Road Use Tax, Rent, Special Assessments
Culture and Recreation	Fees, State Aid
General Government	Licenses, Permits
Capital Projects	Donations, State Grants, Federal Grants

The total cost of governmental activities this year was \$7,222,245. Of these costs, \$1,892,367 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contributions were \$950,188, leaving a Net Expense of \$4,379,690 for Governmental Activities. These expenses of were covered with tax revenues, interest and other general revenues. The Statement of Activities in the financial statements provides further detail. The Net (Expense) Revenue by Governmental Activity is shown in the following table:

Functions/Programs	Net (Expense) Revenue	
	2014	2013
<b>Governmental Activities:</b>		
Public Safety	\$ (1,212,882)	\$ (1,137,387)
Public Works	(880,208)	(620,376)
Culture and Recreation	(721,977)	(695,967)
Community and Economic Development	(560,443)	(375,738)
General Government	(794,534)	(733,049)
Debt Service	(209,646)	(230,961)
Total Net (Expense) Revenue Governmental Activities	(4,379,690)	(3,793,478)
General Revenues & Interfund Transfers	4,320,739	3,944,857
<b>Change in Net Position</b>	<b>\$ (58,951)</b>	<b>\$ 151,379</b>

Total resources available during the year to finance governmental operations were \$18,984,405 consisting of Net Position at July 1, 2013, of \$11,821,111, Program Revenues of \$2,842,555 and General Revenues and Transfers of \$4,320,739. Total Governmental Activities during the year expended \$7,222,245; thus, Net Position was decreased by \$58,951 to \$11,762,160.

### Business Type Activities

Business Type Activities increased the City's net position by \$363,059.

The cost of all Proprietary Activities this year was \$796,918. As shown in the Statement of Activities, the amounts paid by users of the systems were \$931,107, resulting in total Net Revenue for Business Type Activities of \$134,189. The Net (Expense) Revenue by Business Type Activity is shown in the following table:

Business-Type Activities	Net (Expense) Revenue	
	2014	2013
Sewer	\$ 134,189	\$ 120,087
General Revenues & Interfund Transfers	228,870	103,885
<b>Change in Net Position</b>	<b>\$ 363,059</b>	<b>\$ 223,972</b>

Total resources available during the year to finance Proprietary Fund activities were \$5,410,145 consisting of Net Position at July 1, 2013, of \$4,250,168, Program Revenues of \$931,107 and General Revenues and Transfers of \$228,870. Total Proprietary Fund Activities during the year expended \$796,918; thus Net Position was increased by \$363,059 to \$4,613,227.

## Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances of \$3,954,498. The combined Governmental Funds balance decreased \$171,800 from the prior year.

The General Fund is the primary operating fund of the City. During the year, revenues exceeded expenditures in the General fund by \$2,059.

The Employee Benefit Fund is used to account for the collection and disbursement of property tax dollars exclusively for payment of employee benefits. During the year, revenues exceeded expenditures by \$5,798.

The Urban Renewal Fund is used for the collection and disbursement of TIF financed projects.

The Debt Service Fund is used to account for collection of general property taxes for the repayment of general obligation debt.

The Industrial Park Fund is used to account for economic development expenditures in the industrial park and the construction of a new police building.

## General Fund Budgetary Highlights

Comparing the fiscal year 2014 original (adopted) city wide amount of \$18,793,711 to the final budget amount of \$21,205,241 shows a net increase of \$2,411,530.

The following table shows the government wide budget variances by program:

Disbursements	Amended Budget	Actual	Variance
Public Safety	\$ 1,417,083	\$ 1,199,661	\$ 217,422
Public Works	1,063,404	1,259,215	(195,811)
Culture and Recreation	957,062	904,561	52,501
Community and Economic Development	311,700	303,146	8,554
General Government	658,090	842,591	(184,501)
Debt Service	745,153	605,313	139,840
Capital Projects	1,500,000	876,086	623,914
Business-Type Activities	14,552,749	15,670,754	(1,118,005)
<b>Total Disbursements</b>	<b>\$ 21,205,241</b>	<b>\$ 21,661,327</b>	<b>\$ (456,086)</b>

The budgeted increase in disbursements is due primarily to changes in HMU costs not initially budgeted and for an increase in debt service payments.

## Capital Assets

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2014, was \$18,507,595 (net of accumulated depreciation). The gross additions to capital assets for fiscal 2014 are as follows:

	General Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 16,000	\$ -	\$ -	\$ -	\$ 16,000	\$ -
Building and Equipment	399,532	337,828	110,618	-	510,150	337,828
Infrastructure	-	-	-	-	-	-
Construction in Progress	36,244	121,235	-	-	36,244	121,235
<b>Total Gross Additions</b>	<b>\$ 451,776</b>	<b>\$ 459,063</b>	<b>\$ 110,618</b>	<b>\$ -</b>	<b>\$ 562,394</b>	<b>\$ 459,063</b>

Construction in Progress at June 30, 2014 for governmental activities consisted of costs associated with airport improvements.

See Note 6 to the financial statements for more information on the City's capital assets.

## DEBT ADMINISTRATION

At year-end the City had \$8,690,000 of general obligation debt outstanding. Of this amount, \$6,510,000 comprises debt paid by property taxes or TIF revenue. The remainder of \$2,180,000 is debt being paid by sewer revenue.

Debt administration is on track, with all of the City debt repaid within the next 15 years. This rapid repayment, when combined with the use of TIF has allowed the City to maintain our good rating. This reflects well on our community.

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt Outstanding to 5% of the assessed value of all taxable property in the community. Thus, our debt capacity is \$12,711,524. With outstanding General Obligation Debt applicable to this limit of \$5,875,000, we are utilizing 28% of this limit. More detailed information on debt administration is provided in Note 7 of the financial statements.



## **ECONOMIC FACTORS**

The City of Harlan works hard to maintain a positive approach to growth and development. Projects being reviewed for future completion to enhance the community include:

- Upper story façade grants for historic buildings downtown.
- Updated Christmas lighting downtown
- Walking trail and other park improvements and swimming pool rehabilitation
- Airport runway overlay
- New police department building
- Sewer plant upgrade

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Debra Sawyer at 712-755-5137.

**CITY OF HARLAN, IOWA**  
**STATEMENT OF NET POSITION**  
**June 30, 2014**

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Harlan Municipal
	Activities	Activities		Utilities
<b>ASSETS</b>				
Cash and Cash Equivalents	1,310,751	\$ 2,274,468	\$ 3,585,219	\$ 11,191,462
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	250,186	62,222	312,408	1,620,023
Taxes	28,077	-	28,077	-
Subsequent Year Taxes	2,488,214	-	2,488,214	-
Other	4,200	-	4,200	-
Estimated Unbilled Usage	-	-	-	340,919
Internal Balances	68,930	(68,930)	-	-
Due from Other Governmental Agencies	196,125	-	196,125	-
Inventories	60,745	34,000	94,745	540,036
Prepaid Assets	155,478	16,733	172,211	159,406
Restricted Assets:				
Cash and Cash Equivalents	-	-	-	4,596,272
Investments	2,717,847	-	2,717,847	-
Land	16,000	22,500	38,500	-
Construction in Progress	268,876	-	268,876	586,454
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	13,671,604	4,528,615	18,200,219	34,542,434
<b>Total Assets</b>	<b>21,237,033</b>	<b>6,869,608</b>	<b>28,106,641</b>	<b>53,577,006</b>
<b>LIABILITIES</b>				
Accounts Payable	121,584	1,054	122,638	1,424,753
Accrued Wages	91,879	13,620	105,499	155,676
Other Accrued Expenses	32	1,997	2,029	35,636
Customer Deposits	-	-	-	35,730
Claims Incurred But Not Reported	40,981	-	40,981	-
Accrued Interest Payable	16,210	7,896	24,106	199,816
Noncurrent Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	-	-	843,322
General Obligation Bonds	2,905,000	140,000	3,045,000	-
Notes Payable	-	-	-	164,967
Compensated Absences and Benefits	94,739	13,969	108,708	-
Due in more than one year:				
Revenue Bonds Payable	-	-	-	15,556,921
Notes Payable	-	-	-	1,154,767
General Obligation Bonds	3,605,000	2,077,845	5,682,845	-
Other Post Employment Benefits	111,234	-	111,234	-
<b>Total Liabilities</b>	<b>6,986,659</b>	<b>2,256,381</b>	<b>9,243,040</b>	<b>19,571,588</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - subsequent year taxes	2,488,214	-	2,488,214	-
Deferred Revenue				
Total Deferred Inflows of Resources	2,488,214	-	2,488,214	-
<b>NET POSITION</b>				
Net Investment in Capital Assets	10,261,480	2,333,270	12,594,750	17,408,911
Restricted for:				
Employee Benefits	8,480	-	8,480	-
Local Option Sales Tax Purposes	147,908	-	147,908	-
Streets	254,289	-	254,289	-
Unrestricted	1,090,003	2,279,957	3,369,960	16,596,507
<b>Total Net Position</b>	<b>\$ 11,762,160</b>	<b>\$ 4,613,227</b>	<b>\$ 16,375,387</b>	<b>\$ 34,005,418</b>

See Accompanying Notes to Financial Statements

**CITY OF HARLAN, IOWA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 1,388,382	\$ 100,869	\$ 74,631	\$ -
Public Works	1,843,059	452,555	510,296	-
Culture and Recreation	1,156,856	290,673	144,206	-
Community and Economic Development	781,498	-	221,055	-
General Government	1,842,804	1,048,270	-	-
Debt Service	209,646	-	-	-
Total governmental activities	7,222,245	1,892,367	950,188	-
Business-Type Activities:				
Sewer System	796,918	931,107	-	-
Total Business-Type Activities:	796,918	931,107	-	-
Total Primary Government	8,019,163	2,823,474	950,188	-
Component Unit:				
Harlan Municipal Utilities	\$ 13,221,492	\$ 14,814,904	\$ -	\$ -

**General Revenues:**

Property Taxes  
Other Taxes  
Local Option Sales Tax  
Hotel/Motel Taxes  
Unrestricted Interest  
Payments in Lieu of Tax  
Gain on Disposition of Assets  
Miscellaneous  
Interfund Transfers  
Total general revenues and transfers  
Change in net position

Net Position - beginning

Net Position - ending

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-Type Activities	Total	Component Unit Harlan Municipal Utilities
\$ (1,212,882)		\$ (1,212,882)	
(880,208)		(880,208)	
(721,977)		(721,977)	
(560,443)		(560,443)	
(794,534)		(794,534)	
(209,646)		(209,646)	
<u>(4,379,690)</u>		<u>(4,379,690)</u>	
	\$ 134,189	134,189	
	<u>134,189</u>	<u>134,189</u>	
<u>(4,379,690)</u>	<u>134,189</u>	<u>(4,245,501)</u>	
			\$ 1,593,412
2,445,343	-	2,445,343	-
652,596	-	652,596	-
456,212	-	456,212	-
49,214	-	49,214	-
12,230	2,549	14,779	46,559
289,583	-	289,583	-
237,259	-	237,259	-
404,623	-	404,623	-
(226,321)	226,321	-	-
<u>4,320,739</u>	<u>228,870</u>	<u>4,549,609</u>	<u>46,559</u>
<u>(58,951)</u>	<u>363,059</u>	<u>304,108</u>	<u>1,639,971</u>
<u>11,821,111</u>	<u>4,250,168</u>	<u>16,071,279</u>	<u>32,365,447</u>
<u>\$ 11,762,160</u>	<u>\$ 4,613,227</u>	<u>\$ 16,375,387</u>	<u>\$ 34,005,418</u>

See Accompanying Notes to Financial Statements

**CITY OF HARLAN, IOWA**  
**BALANCE SHEET**  
**Governmental Funds**  
**June 30, 2014**

	<b>General</b>	<b>Debt Service</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 302,289	\$ 28,375
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	250,186	-
Taxes	16,656	5,623
Subsequent Year Taxes	1,388,560	483,661
Due from Other Funds	-	68,930
Due from Other Governmental Agencies	4,982	-
Restricted Assets:		
Investments		2,717,847
Inventories	1,155	-
Total Assets	<u>1,963,828</u>	<u>3,304,436</u>
<b>Liabilities</b>		
Liabilities		
Accounts Payable	15,193	-
Accrued Wages	82,942	-
Other Accrued Expenses	32	-
Due to Other Funds	1,839	-
Total Liabilities	<u>100,006</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>		
Unavailable revenue - subsequent year taxes	1,388,560	483,661
Unavailable revenue -delinquent taxes	1,025	-
Total Deferred Inflows of Resources	<u>1,389,585</u>	<u>483,661</u>
<b>Fund Balances</b>		
Non-Spendable:		
Inventories	1,155	-
Restricted:		
Debt Service	-	2,820,775
Employee Benefits	-	-
Local Option Sales Tax Purposes	-	-
Streets	-	-
Assigned:		
Capital Projects	-	-
Unassigned	473,082	-
Total Fund Balances	<u>474,237</u>	<u>2,820,775</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,963,828</u>	<u>\$ 3,304,436</u>

See Accompanying Notes to Financial Statements

Special Revenue		Capital Project		Other		Total	
Employee	Urban	Industrial	Governmental	Governmental		Governmental	
Benefits	Renewal	Park	Funds	Funds		Funds	
\$ 2,682	\$ -	\$ 186,020	\$ 327,377	\$		\$ 846,743	
-	-	-	-			250,186	
5,798	-	-	-			28,077	
615,993	-	-	-			2,488,214	
-	-	122,971	-			191,901	
-	-	-	191,143			196,125	
-	-	-	-			2,717,847	
-	-	-	59,590			60,745	
624,473	-	308,991	578,110			6,779,838	
-	8,775	5,778	91,473			121,219	
-	-	-	8,937			91,879	
-	-	-	-			32	
-	-	-	121,132			122,971	
-	8,775	5,778	221,542			336,101	
615,993	-	-	-			2,488,214	
-	-	-	-			1,025	
615,993	-	-	-			2,489,239	
-	-	-	59,590			60,745	
-	-	-	-			2,820,775	
8,480	-	-	-			8,480	
-	-	-	147,908			147,908	
-	-	-	194,699			194,699	
-	-	303,213	91,503			394,716	
-	(8,775)	-	(137,132)			327,175	
8,480	(8,775)	303,213	356,568			3,954,498	
\$ 624,473	\$ -	\$ 308,991	\$ 578,110	\$		\$ 6,779,838	

See Accompanying Notes to Financial Statements

**CITY OF HARLAN, IOWA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2014**

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Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds (page 19)		\$ 3,954,498
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds.		12,887,302
Internal service funds are used by management to fund and maintain the City's equipment replacement fund and medical costs provided to user departments and are included in the statement of net assets.		1,496,040
Deferred revenues from the balance sheet that provide current financial resources for governmental activities.		1,025
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.		155,478
Accrued interest expense from the balance sheet that require current financial resources from governmental activities.		(16,210)
Other Post Employment Benefits not due and payable in the current period and therefore are not reported in the funds.		(111,234)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	\$ (6,510,000)	
Compensated Absences	(94,739)	
		(6,604,739)
Total Net Position - Governmental Activities (page 15)		<u>\$ 11,762,160</u>

**CITY OF HARLAN, IOWA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Funds**  
**For the Year Ended June 30, 2014**

	General	Debt Service
Revenue:		
Taxes	\$ 1,421,137	\$ 558,924
Special Assessments	2,603	-
Licenses and Permits	83,400	-
Intergovernmental Revenue	83,611	-
Charges for Services	488,505	-
Payments in Lieu of Taxes	289,583	-
Fines and Forfeits	22,091	-
Contributions	51,677	-
Refunds/Reimbursements	246,964	-
Revenue from Use of Property	23,916	-
Interest on Investments	3,891	8,111
Miscellaneous	89,345	-
Total Revenue	<u>2,806,723</u>	<u>567,035</u>
Expenditures:		
Public Safety	1,204,545	-
Public Works	672,994	-
Culture and Recreation	902,367	-
Community and Economic Development	73,769	-
General Government	834,228	-
Capital Projects	-	-
Debt Service	-	605,313
Total Expenditures	<u>3,687,903</u>	<u>605,313</u>
Excess (Deficiency) of revenues over expenditures	<u>(881,180)</u>	<u>(38,278)</u>
Other financing sources (uses):		
Proceeds from Sale of Capital Assets	-	-
Transfers In	883,239	220,627
Transfers Out	-	(189,278)
Total other financing sources (uses)	<u>883,239</u>	<u>31,349</u>
Net Change in Fund Balance	2,059	(6,929)
Fund balances - beginning of year	<u>472,178</u>	<u>2,827,704</u>
Fund balances (deficit)- end of year	<u>\$ 474,237</u>	<u>\$ 2,820,775</u>

See Accompanying Notes to Financial Statements



Special Revenue		Capital Project		Other		Total	
Employee Benefits	Urban Renewal	Industrial Park		Governmental Funds		Governmental Funds	
\$ 513,472	\$ 652,596	\$ -	\$ 456,211	\$ 3,602,340			
-	-	-	-	2,603			
-	-	-	-	83,400			
-	-	-	728,488	812,099			
-	-	-	-	488,505			
-	-	-	-	289,583			
-	-	-	-	22,091			
-	-	-	100,000	151,677			
-	-	-	-	246,964			
-	-	-	-	23,916			
-	-	228	-	12,230			
-	-	11,081	-	100,426			
513,472	652,596	11,309	1,284,699	5,835,834			
-	-	-	-	1,204,545			
-	-	-	570,692	1,243,686			
-	-	-	19,500	921,867			
-	238,152	-	304,718	616,639			
-	-	-	9,000	843,228			
-	-	608,421	8,214	616,635			
-	-	-	-	605,313			
-	238,152	608,421	912,124	6,051,913			
513,472	414,444	(597,112)	372,575	(216,079)			
-	-	238,260	-	238,260			
-	-	148,889	466	1,253,221			
(507,674)	(423,219)	(466)	(326,565)	(1,447,202)			
(507,674)	(423,219)	386,683	(326,099)	44,279			
5,798	(8,775)	(210,429)	46,476	(171,800)			
2,682	-	513,642	310,092	4,126,298			
\$ 8,480	\$ (8,775)	\$ 303,213	\$ 356,568	\$ 3,954,498			

See Accompanying Notes to Financial Statements

**CITY OF HARLAN, IOWA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2014**

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 22)	\$ (171,800)
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense exceeded capital outlays in the current year as follows:

Expenditures for capital assets	\$ 451,776	
Depreciation expense	<u>(657,882)</u>	(206,106)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues.	1,025
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The effect of the change in prepaid insurance which is not reported in the governmental funds as it is not available to provide current financial resources.	(1,714)
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Long-term accrual of other post employment benefits liability in the governmental funds as it does not consume current financial resources.	(37,078)
---	----------

Accrued interest expense reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.	667
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Governmental funds do not reflect the change in accrued compensated absences as it does not consume current financial resources. The Statement of Activities reflects the change in accrued compensated absences through expenditures.	(14,433)
--	----------

Internal service funds are used by management to fund and maintain the City's insurance policies provided to user departments and are included in the statement of net position. The net revenue of the internal service funds is reported with governmental activities.	(24,512)
--	----------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The amount by which proceeds exceeded payments in the current year is as follows:

Proceeds from debt issuance	-	
Repayments of long-term debt	<u>395,000</u>	395,000

Change in net assets of governmental activities (page 17)	<u><u>\$ (58,951)</u></u>
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**CITY OF HARLAN, IOWA**  
**STATEMENT OF NET POSITION**  
**Proprietary Funds**  
**June 30, 2014**

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Sewer</b>	<b>Internal Service</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 2,274,468	\$ 464,008
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	62,222	-
Other	-	4,200
Inventories	34,000	-
Prepaid Assets	16,733	-
Total Current Assets	<u>2,387,423</u>	<u>468,208</u>
<b>Noncurrent Assets</b>		
Land	22,500	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	<u>4,528,615</u>	<u>1,069,178</u>
Total Noncurrent Assets	<u>4,551,115</u>	<u>1,069,178</u>
<b>Total Assets</b>	<u><b>6,938,538</b></u>	<u><b>1,537,386</b></u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable	1,054	365
Accrued Wages	13,620	-
Other Accrued Expenses	1,997	-
Due to Other Funds	68,930	-
Accrued Interest Payable	7,896	-
Claims Incurred But Not Reported	-	40,981
Total Current Liabilities	<u>93,497</u>	<u>41,346</u>
<b>Noncurrent Liabilities:</b>		
Due within one year:		
General Obligation Bonds	140,000	-
Compensated Absences and Benefits	13,969	-
Due in more than one year:		
General Obligation Bonds	<u>2,077,845</u>	<u>-</u>
Total Noncurrent Liabilities	<u>2,231,814</u>	<u>-</u>
<b>Total Liabilities</b>	<u><b>2,325,311</b></u>	<u><b>41,346</b></u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	2,333,270	1,069,178
Restricted for:		
Unrestricted	<u>2,279,957</u>	<u>426,862</u>
Total Net Position	<u><b>\$ 4,613,227</b></u>	<u><b>\$ 1,496,040</b></u>

See Accompanying Notes to Financial Statements

**CITY OF HARLAN, IOWA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**Proprietary Funds**  
**For the Year Ended June 30, 2014**

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Sewer</b>	<b>Internal Service</b>
<b>Operating Revenues:</b>		
Charges for Services	\$ 925,545	\$ 316,423
Miscellaneous	5,562	40,301
Reimbursement from Employees/Insurance	-	957,772
<b>Total Operating Revenue</b>	<b>931,107</b>	<b>1,314,496</b>
<b>Operating Expenses:</b>		
Public Safety	-	35,749
Public Works	-	16,165
Culture and Recreation	-	43,905
General Government	-	976,180
Employee Services	304,847	-
Contract Services	57,043	-
Repairs and Maintenance	191,025	-
Miscellaneous	3,113	-
Depreciation	190,484	234,669
<b>Total Operating Expenses</b>	<b>746,512</b>	<b>1,306,668</b>
<b>Operating Income</b>	<b>184,595</b>	<b>7,828</b>
<b>Non-Operating Income (Expense):</b>		
Interest Income	2,549	-
Interest Expense	(50,406)	-
<b>Total Non-Operating Income</b>	<b>(47,857)</b>	<b>-</b>
<b>Income before Contributions and Transfers</b>	<b>136,738</b>	<b>7,828</b>
<b>Other Financing Sources (Uses)</b>		
Transfers In	226,321	-
Transfers (Out)	-	(32,340)
<b>Total Other Financing Sources (Uses)</b>	<b>226,321</b>	<b>(32,340)</b>
<b>Change in Net Position</b>	<b>363,059</b>	<b>(24,512)</b>
<b>Net Position - Beginning</b>	<b>4,250,168</b>	<b>1,520,552</b>
<b>Net Position - Ending</b>	<b>\$ 4,613,227</b>	<b>\$ 1,496,040</b>

See Accompanying Notes to Financial Statements

**CITY OF HARLAN, IOWA**  
**STATEMENT OF CASH FLOWS**  
**Proprietary Funds**  
**For the Year Ended June 30, 2014**

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Sewer</b>	<b>Internal Service</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers	\$ 926,510	\$ 1,347,443
Cash Paid to Suppliers for Goods and Services	(357,526)	(154,584)
Cash Paid to Employees for Services	(299,218)	(951,666)
Net Cash Provided by Operating Activities	<u>269,766</u>	<u>241,193</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and Construction of Capital Assets	(84,437)	(110,618)
Principal Paid on Notes and Bonds	(140,000)	-
Interest Paid on Notes and Bonds	(49,278)	-
Net Cash (Used) for Capital and Related Financing Activities	<u>(273,715)</u>	<u>(110,618)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Transfers from Other Funds	226,321	(32,340)
Due From (To) Other Funds	32,822	(32,822)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>259,143</u>	<u>(65,162)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest and Dividends on Investments	<u>2,549</u>	<u>-</u>
Net Cash Provided for Investing Activities	<u>2,549</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	257,743	65,413
Cash and Cash Equivalents at Beginning of Year	<u>2,016,725</u>	<u>398,595</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,274,468</u>	<u>\$ 464,008</u>
Cash and Cash Equivalents:		
Unrestricted	<u>\$ 2,274,468</u>	<u>\$ 464,008</u>

(Continued)

**CITY OF HARLAN, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS (Continued)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2014**

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Sewer</b>	<b>Internal Service</b>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ 184,595	\$ 7,828
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	190,484	234,669
(Increase) Decrease in Assets:		
Accounts Receivable	(4,597)	32,947
Prepaid Expenses	(1,700)	-
Inventories	(28,510)	-
Increase (Decrease) in Liabilities		
Accounts Payable	(76,135)	(54,207)
Accrued Wages	4,844	-
Accrued Compensated Absences	785	-
Claims Incurred But Not Reported	-	19,956
Total Adjustments	85,171	233,365
Net Cash Provided by Operating Activities	\$ 269,766	\$ 241,193

See Accompanying Notes to Financial Statements

**CITY OF HARLAN, IOWA**  
**COMBINED STATEMENT OF FIDUCIARY NET POSITION**  
**Fiduciary Funds**  
**June 30, 2014**

	<u>Agency Fund</u>		
	<u>Flex</u>	<u>Private Purpose</u>	
	<u>Spending</u>	<u>Trust Funds</u>	<u>Totals</u>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 261	\$ 31,167	\$ 31,428
<b>Total Current Assets</b>	<u>261</u>	<u>31,167</u>	<u>31,428</u>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Other Payables	261	-	261
<b>Total Current Liabilities</b>	<u>261</u>	<u>-</u>	<u>261</u>
<b>NET POSITION</b>			
Restricted - Held In Trust	-	31,167	31,167
<b>Total Net Position</b>	<u>\$ -</u>	<u>\$ 31,167</u>	<u>\$ 31,167</u>

See Accompanying Notes to Financial Statements

**CITY OF HARLAN, IOWA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2014**

	<b>Private Purpose Trust Funds Totals</b>
<b>Additions</b>	
Contributions	\$ 4,806
Total Additions	4,806
<b>Deductions</b>	
Public Safety	2,059
Total Deductions	2,059
Change in Net Position	2,747
Net Position Beginning of Year	28,420
Net Position End of Year	\$ 31,167



**CITY OF HARLAN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Harlan, Iowa is a political subdivision of the State of Iowa located in Shelby County, and was incorporated in 1879, under the laws of the State of Iowa, later amended in 1974 under the Home Rule City Act. The City operates under a Mayor-Council form of government with the mayor and council members elected on a non-partisan basis. The City administers the following functions as authorized by its charter: public safety, public works, culture and recreation, community and economic development and general government services. The City also has a municipal sewer utility system, which is governed by the City Council.

The City's financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, the City of Harlan, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Harlan, Iowa (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit - The government-wide financial statements include the Harlan Municipal Utilities as a component unit. The Harlan Municipal Utilities is a legally separate organization. The board of the Harlan Municipal Utilities is appointed by the Harlan City Council. Iowa Statutes provide for circumstances whereby the City can impose their will on the Harlan Municipal Utilities. The Harlan Municipal Utilities can create a potential financial benefit or burden on the City. As a component unit, the Harlan Municipal Utilities financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended June 30, 2014. Complete financial statements are on file at Harlan Municipal Utilities.

Jointly Governed Organizations - The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following Boards and Commissions: Shelby County Emergency Management Commission, Shelby County Ambulance Commission, and the Shelby County Solid Waste Agency Board.

CITY OF HARLAN, IOWA  
Notes to Financial Statements  
June 30, 2014

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation**

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax, intergovernmental revenues, and other nonexchange revenues are reported separately from business type activities, which rely to a significant extent on fees and charges for services. The City's general, special revenue, debt service, and capital projects are classified as governmental activities. The City's equipment revolving internal service fund and group insurance internal service fund are also classified as a governmental-type activities.

The Statement of Net Position presents the City's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories.

*Net Investment in Capital Assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The City first uses restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

The City does not allocate indirect costs. Certain expenses of the City are accounted for through the internal service fund on a cost-reimbursement basis.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year activities.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

**CITY OF HARLAN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The City reports the following major governmental funds:

- 1) General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The sources of revenue include property taxes, charges for services, fines and fees, licenses and permits, as well as state and federal grants. The expenditures of the General Fund relate to general administration, police and fire protection, maintenance of public streets, economic development, and culture and recreation.
- 2) Debt Service Fund - Accounts for the accumulation of resources for and the payment of general obligation debt principal, interest and related costs.
- 3) Special Revenue Funds:

Employee Benefits Fund – Accounts for taxes levied for employee benefits.

Urban Renewal Fund – Accounts for property taxes received to be expended for public improvements, construction of public infrastructure, as well as, economic development opportunities.

- 4) Capital Project Fund – Industrial Park – Accounts for construction of the new police station and economic development costs associated with the industrial park.

The City reports the following major proprietary (enterprise) funds:

The Sewer Utility is used to account for the operation and maintenance of the City's sewer system.

In addition, the City reports the following fund types:

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the city, or to other governmental units, on a cost-reimbursement basis.

The City's internal service funds are presented in the proprietary fund financial statements.

Equipment Revolving Fund – Accounts for equipment purchases for various departments of the City.

Group Insurance Fund – Accounts for funding and maintenance of the City's self-funded health insurance provided to City Employees.

Since the principal users of both funds are the City's governmental activities, the financial statements of both internal service funds are consolidated in the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services are reported in the appropriate functional activity.

**CITY OF HARLAN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fiduciary Fund Types – Fiduciary funds are used to report assets held in an agency or custodial capacity for others and therefore not available to support City programs. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements. The City has the following private purpose trust funds:

C. Hansen / Schildberg Trust	Police Trust
Library Trust	Loree / Poynter Trust
Beebe Trust	

The City also has the following agency fund:

Flex Fund – to account for assets held by the City as an agent for individuals.

**C. Measurement Focus and Basis of Accounting**

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

**CITY OF HARLAN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are charges to customers for sales and services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-recovery basis. The City's internal service funds are presented in the proprietary fund financial statements.

Fiduciary funds are used to report assets held in an agency or custodial capacity for others and, therefore, these funds are not available to support City programs.

**D. Assets, Liabilities and Fund Equity**

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most City funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Custodial Credit Risk – The City has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

Property Tax Receivable, Including Tax Increment Financing - Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

**CITY OF HARLAN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City Council to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2013. Any county collections on the 2013-2014 tax levy remitted to the City within 60 days subsequent to June 30, 2014, are recorded as property tax revenue.

Customer Accounts and Unbilled Usage – Accounts receivable in the Enterprise Funds includes services billed prior to June 30, 2014 and an estimate of services provided through June 30, 2014 but not billed.

Short-Term Interfund Receivables/Payables - During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent certain transactions between funds have not been paid or received as of June 30, 2014, balances of interfund amounts payable or receivable have been recorded as "due to other funds" and "due from other funds", respectively in the fund financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories of the proprietary fund types are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed.

Prepaid Assets - Payments made to vendors for services that will benefit periods beyond June 30, 2014 are recorded as prepaid items.

**CITY OF HARLAN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Capital Assets - Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position and in the Proprietary Funds Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of \$5,000 for general capital assets and \$25,000 for infrastructure assets and estimated useful lives in excess of one year. Depreciation expense is calculated using the straight-line method over the following useful lives:

Buildings	39 – 150 Years
Machinery & Equipment	5 – 40 Years
Infrastructure	20 – 100 Years

Compensated Absences - City employees accumulate a limited amount of earned but unused vacation and compensatory hours for subsequent use or for payment upon lapse of available period. Compensatory time for non-exempt and exempt employees will be earned and accrued from January 1 to July 1 and July 1 to January 1 for use in the consecutive six months following the accrual period. Time for non-exempt employees is accrued at time and a half to be paid out to employees after the six month period of use has expired. Exempt employees are required to use their compensatory time or forfeit it at the end of the six months. A liability is recorded when incurred in the government-wide and proprietary fund financial statement. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid by the General Fund and Road Use Tax Fund.

Long-term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Position and the proprietary fund Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**CITY OF HARLAN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Fund Equity – Fund balances for each of the City's governmental funds (General Fund, special revenue funds, capital projects funds, and debt service funds) will be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance* – amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- *Restricted fund balance* – amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.
- *Committed Fund Balance* – amounts that can be spent only for specific purposes determined by formal action of the government's highest level of decision making authority.
- *Assigned fund balance* – amounts the City intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.
- *Unassigned fund balance* – amounts that are available for any purpose; these amounts can be reported only in the City's General Fund.

In addition, the Statement clarifies the definitions of the various types of governmental funds. Interpretations of certain terms within the new definition of special revenue funds may affect which activities the City can report in special revenue funds.

Fund balance amounts represent the nature of the net resources that are reported in a governmental fund. The City fund balance classifications include non-spendable resources, restricted, and non-restricted (unassigned) amounts. When the City incurs an expenditure and both restricted and unrestricted amounts are available, the City considers restricted amounts to have been spent. When the City incurs an expenditure for an unrestricted amount, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts for purposes in which any of those unrestricted fund balance classifications could be used.

Interfund Transactions - Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.



**CITY OF HARLAN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

All other interfund transactions, except interfund services provided and used transactions and reimbursements, are reported as transfers.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the Public Works, General Government Debt Service and Business-type functions.

**F. Deferred Outflow/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: property taxes, special assessments, other taxes and other income. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS**

The City's deposits at June 30, 2014, were entirely covered by Federal Depository Insurance collateralized with securities or letters of credit held by the City or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. Chapter 12C provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligation of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The City's investments consisted of state and local government securities held in escrow during the period of the crossover refunding totaling \$2,717,847.

**Note 3 - RECEIVABLES**

Receivables at June 30, 2014 are net of allowance for uncollectibles. The allowance for uncollectibles for the enterprise funds was \$0 as the City considers all receivables to be collectible at June 30, 2014.

**CITY OF HARLAN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 4 - DUE FROM OTHER GOVERNMENTS**

At June 30, 2014, amounts due from other governments were as follows:

Due from the Iowa Department of Revenue for Road Use Tax allocation	\$ 39,395
Due from the Iowa Department of Revenue for State and Federal Grant Projects	68,794
Due from the Iowa Department of Revenue for Local Option Sales taxes	87,936
Total Governmental Funds	<u>\$ 196,125</u>

**Note 5 - INTERFUND RECEIVABLES AND PAYABLES**

As of June 30, 2014 short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
Industrial Park	General	\$ 1,839
Industrial Park	Nonmajor Governmental	121,132
Debt Service	Sewer	68,930
		<u>\$ 191,901</u>

The purpose of the interfund balances is to help short-term cash flow shortages of various funds.

**Note 6 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014 was as follows:

<b>Governmental Activities</b>	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2014</b>
Capital assets not being depreciated:				
Land	\$ -	\$ 16,000	\$ -	\$ 16,000
Construction in progress	232,632	36,244	-	268,876
Total capital assets not being depreciated	232,632	52,244	-	284,876
Capital assets being depreciated:				
Buildings & equipment	11,358,865	515,576	35,058	11,839,383
Infrastructure	20,161,636	-	-	20,161,636
Total capital assets being depreciated	31,520,501	515,576	35,058	32,001,019
Less accumulated depreciation for:				
Buildings & equipment	4,681,281	504,319	29,633	5,155,967
Infrastructure	12,785,215	388,233	-	13,173,448
Total accumulated depreciation	17,466,496	892,552	29,633	18,329,415
Total capital assets being depreciated, net	13,400,171	(376,976)	5,425	13,671,604
Governmental activities capital assets, net	<u>\$ 13,632,803</u>	<u>\$ (340,732)</u>	<u>\$ 5,425</u>	<u>\$ 13,940,480</u>

Construction in progress is related to the airport improvement project.

**CITY OF HARLAN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 6 - CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Public Safety	\$ 17,364
Public Works, which includes the depreciation of infrastructure	471,924
Culture and Recreation	168,594
Governmental Activities Depreciation Expense by Function	<u>657,882</u>
Internal Service – Equipment Revolving Fund	234,669
Total governmental activities - depreciation expense	<u>\$ 892,551</u>

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 22,500	\$ -	\$ -	\$ 22,500
Total capital assets not being depreciated	<u>22,500</u>	<u>-</u>	<u>-</u>	<u>22,500</u>
Capital assets being depreciated:				
Buildings and equipment	6,040,354	84,437	-	6,124,791
Infrastructure	1,778,759	-	-	1,778,759
Total capital assets being depreciated	<u>7,819,113</u>	<u>84,437</u>	<u>-</u>	<u>7,903,550</u>
Less: Accumulated depreciation for:				
Buildings & equipment	2,199,066	155,383	-	2,354,449
Infrastructure	985,385	35,101	-	1,020,486
Total accumulated depreciation	<u>3,184,451</u>	<u>190,484</u>	<u>-</u>	<u>3,374,935</u>
Total capital assets being depreciated, net	<u>4,634,662</u>	<u>(106,047)</u>	<u>-</u>	<u>4,528,615</u>
Governmental activities capital assets, net	<u>\$ 4,657,162</u>	<u>\$ (106,047)</u>	<u>\$ -</u>	<u>\$ 4,551,115</u>

**CITY OF HARLAN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 6 - CAPITAL ASSETS (Continued)**

A summary of changes in capital assets for the discretely presented component unit is as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<b>Harlan Municipal Utilities</b>				
<b>Discretely Presented Component Unit:</b>				
Capital assets not being depreciated:				
Construction in Progress	\$ 6,328,059	\$ 586,454	\$ 6,328,059	\$ 586,454
Total capital assets not being depreciated	6,328,059	586,454	6,328,059	586,454
Capital assets being depreciated:				
Property, plant & equipment	59,107,338	8,131,845	-	67,239,183
Total capital assets being depreciated	59,107,338	8,131,845	-	67,239,183
Less: Accumulated depreciation for:				
Property, plant & equipment	31,054,017	1,642,732	-	32,696,749
Total accumulated depreciation	31,054,017	1,642,732	-	32,696,749
Total capital assets being depreciated, net	28,053,321	6,489,113	-	34,542,434
Governmental activities capital assets, net	\$ 34,381,380	\$ 7,075,567	\$ 6,328,059	\$ 35,128,888

**Reconciliation of Net Investment in Capital Assets:**

	Governmental Activities	Business-Type Activities	Component Unit
Land	\$ 16,000	\$ 22,500	\$ -
Construction in Progress	268,876	-	586,454
Capital Assets (net of accumulated depreciation)	13,671,604	4,528,615	34,542,434
Less: General Obligation Bonds Payable	6,510,000	2,217,845	-
Revenue Bonds & Capital Loan Notes	-	-	17,719,977
Add: Crossover Refunding Bonds	2,815,000	-	-
Net Investment in Capital Assets	\$ 10,261,480	\$ 2,333,270	\$ 17,408,911

**CITY OF HARLAN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 7 - LONG-TERM DEBT**

**General Obligation Bonds**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for both governmental and business-type activities. These bonds are direct obligations and pledge the full faith and credit of the City.

**Cross-over Refunding**

On May 1, 2013 the City issued \$2,815,000 of General Obligation Bonds, Series 2013 with an average interest rate of 1.75%, with annual maturities from June 2014 through June 2024. The net proceeds were used to crossover refund the 2007 General Obligation Bonds. The crossover date is May 2015. The net proceeds were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. The net present value of the cash flow savings is \$278,198.

General obligation bonds outstanding as of June 30, 2014 are as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 6/30/14	Due Within One Year
<b>Primary Government:</b>						
<b>Governmental Activities</b>						
General Obligation Debt						
Corporate purpose bonds	08/07/07	06/01/27	4.00 – 4.30%	\$ 3,850,000	\$ 2,845,000	\$2,845,000
Corporate purpose bonds	06/01/11	06/01/26	1.20% 3.80%	990,000	850,000	60,000
Corporate purpose bonds	05/01/13	06/01/22	.6 – 2.35%	\$ 2,815,000	2,815,000	-
Total Governmental Activities – General Obligation Debt					<u>\$ 6,510,000</u>	<u>\$2,905,000</u>
<b>Business-Type Activities</b>						
General Obligation Debt						
Corporate purpose bonds	06/28/12	06/01/27	2.00 – 2.50%	\$ 2,455,000	\$ 2,180,000	\$ 140,000

The balance shown on the Statement of Net Position is gross of unamortized bond premiums of \$37,845.

Debt service requirements to maturity for general obligation bonds are as follows:

**Primary Government**

Years	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 2,905,000	\$ 191,670	\$ 140,000	\$ 45,978
2016	275,000	69,277	150,000	43,178
2017	285,000	66,787	155,000	40,178
2018	280,000	63,512	155,000	37,078
2019	290,000	59,845	160,000	33,978
2020-2024	1,530,000	220,635	850,000	120,889
2025-2027	945,000	45,065	570,000	27,908
Total	<u>\$ 6,510,000</u>	<u>\$ 716,791</u>	<u>\$ 2,180,000</u>	<u>\$ 349,187</u>

The business-type balance shown on the Statement of Net Position is gross of unamortized bond premiums of \$37,845.

The City's computed legal debt limit as of June 30, 2014 is \$12,711,524 of which \$5,875,000 is committed for outstanding general obligation debt.

**CITY OF HARLAN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 7 - LONG-TERM DEBT (Continued)**

**Revenue Bond Covenants**

Component Unit:

Bond covenants require funds to be set aside in retirement, reserve, and plant improvements accounts. During the year ended June 30, 2014, the Utility was in compliance with the revenue note provisions.

Details of revenue bonds notes and contracts payable at June 30, 2014 are as follows:

Component Unit:	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 6/30/14	Due Within One Year
<b>Electric Fund</b>						
Electric Revenue Bond, Series 2006	12/5/06	10/1/17	3.70-4.05%	\$ 1,280,000	\$ 530,000	\$ 40,000
Electric Revenue Bond, Series 2010A	6/1/10	10/1/24	3.0-4.25%	8,285,000	7,980,000	585,000
Electric Revenue Bond, Series 2010B	6/1/10	10/1/15	2.0-2.5%	2,260,000	945,000	70,000
Total Electric Bonds & Contracts					9,455,000	695,000
<b>Water Fund:</b>						
Water Revenue Bond, Series 2004	4/15/04	7/1/16	1.40-4.10%	670,000	140,000	70,000
Water State Revolving Fund	5/16/12	7/1/32	3.0%	7,035,000	6,954,322	78,322
Total Water Bonds					7,094,322	148,322
<b>Telecommunications Fund:</b>						
Communications Utility Revenue						
Capital Loan Notes, Series 2012	3/29/12	4/1/22	3.25%	\$ 1,649,667	1,319,734	164,967
Total Telecommunications Fund					\$17,869,056	\$ 1,008,289

Debt service requirements to maturity for revenue bonds are as follows:

Component Unit:

Year Ending June 30,	Electric Revenue Bonds & Contracts		Water Revenue Bonds		Telecommunications Revenue Capital Loan Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 695,000	\$ 333,295	\$ 148,322	\$ 107,837	\$ 164,967	\$ 42,891
2016	715,000	314,438	295,000	207,715	164,967	37,530
2017	750,000	292,325	235,000	199,530	164,967	32,169
2018	775,000	268,040	312,000	192,480	164,967	26,807
2019	810,000	242,315	322,000	183,120	164,967	21,446
2020-2024	4,640,000	717,189	1,776,000	764,100	494,899	32,168
2025-2029	1,070,000	22,738	2,083,000	479,970	-	-
2030-2033	-	-	1,923,000	146,520	-	-
Total	\$ 9,455,000	\$ 2,190,340	\$7,094,322	\$2,281,272	\$ 1,319,734	\$ 193,011

**CITY OF HARLAN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 7 - LONG-TERM DEBT (Continued)**

**Changes in Long-Term Liabilities**

Long-Term liability activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 6,905,000	\$ -	\$ 395,000	\$ 6,510,000	\$ 225,000
Other Post Employee Benefits	74,156	37,078	-	111,234	-
Compensated Absences	80,306	94,739	80,306	94,739	94,739
Long-Term Liabilities	<u>\$ 7,059,462</u>	<u>\$ 131,817</u>	<u>\$ 475,306</u>	<u>\$ 6,715,973</u>	<u>\$ 319,739</u>
<b>Business-Type Activities:</b>					
General Obligation Bonds	\$ 2,320,000	\$ -	\$ 140,000	\$ 2,180,000	\$ 140,000
Compensated Absences	13,184	13,969	13,184	13,969	13,969
Other Post Employment Benefits	<u>\$ 2,333,184</u>	<u>\$ 13,969</u>	<u>\$ 153,184</u>	<u>\$ 2,193,969</u>	<u>\$ 153,969</u>
<b>Component Unit:</b>					
Electric Revenue Bonds	\$10,130,000	\$ -	\$ 675,000	\$ 9,455,000	\$ 695,000
Water Revenue Bonds	6,571,859	733,463	211,000	7,094,322	148,322
Capital Loan Notes	1,484,701	-	164,967	1,319,734	164,967
Long-Term Liabilities	<u>\$18,186,560</u>	<u>\$ 733,463</u>	<u>\$ 1,050,967</u>	<u>\$ 17,869,056</u>	<u>\$ 1,008,289</u>

**Note 8 - TRANSFERS**

The following is a summary of transfers between funds:

	General	Debt Service	Industrial Park	Non Major Governmental	Sewer	Total Transfers Out
Employee Benefit	\$ 507,674	\$ -	\$ -	\$ -	\$ -	\$ 507,674
Nonmajor Governmental	326,565	-	-	-	-	326,565
Urban Renewal	49,000	220,627	148,889	-	4,703	423,219
Internal Service	-	-	-	-	32,340	32,340
Industrial Park	-	-	-	466	-	466
Debt Service	-	-	-	-	189,278	189,278
<b>Total Transfers In</b>	<u>\$ 833,239</u>	<u>\$ 220,627</u>	<u>\$ 148,889</u>	<u>\$ 466</u>	<u>\$ 226,321</u>	<u>\$ 1,479,542</u>

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**CITY OF HARLAN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

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**Note 9- PENSION AND RETIREMENT**

**Iowa Public Employees Retirement System** - The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 18.93% of annual covered payroll except for, public safety employees, in which case, the percentages are actuarially determined. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$134,426, \$143,610, and \$134,426, respectively, equal to the required contributions for each year.

**Note 10- SPLIT FUNDING HEALTH INSURANCE PLAN**

The City of Harlan, along with its component unit, Harlan Municipal Utilities, has established a partially self-funded health insurance program. The plan is funded by City contributions and is administered through a service agreement with Employee Benefit Systems. The agreement is subject to automatic renewal provisions. The City assumes liability for deductible amounts of \$2,000 to \$4,000 depending on the coverage selected by the employee.

Monthly payments of service fees, plan contributions, and claims for the City's split funding health insurance are recorded as expenditures in the City's Internal Service – Group Insurance Fund.

Claims payable and estimated claims incurred but not reported are recorded as a liability in the City's Internal Service – Group Insurance Fund.

	<b>Prior Year</b>	<b>Current Year</b>
Unpaid claims, beginning of fiscal year	\$ 24,037	\$ 21,025
Current year claims and changes in estimates	426,002	443,837
Claim payments	(429,014)	(423,881)
Unpaid claims, end of fiscal year	<u>\$ 21,025</u>	<u>\$ 40,981</u>

**Note 11 - DEFICIT FUND EQUITY**

The City has five funds with deficit equity balances at June 30, 2014. The City intends to finance these deficits from various resources including grant revenue and fund transfers.

The individual fund deficits were as follows:

Major – Urban Renewal.....	\$ 8,775
Nonmajor – Pioneer Park.....	16,000
Nonmajor – Airport Improvement .....	49,378
Nonmajor – GH Christiansen .....	54,850
Nonmajor – Internal Service - Group Insurance.....	34,875
Nonmajor – Housing Rehab.....	16,904



**CITY OF HARLAN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

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**Note 12- RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks, with the exception of vision and dental care, are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

**Note 13- COMMITMENTS**

There were no outstanding construction commitments at June 30, 2014.

**Note 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description – The City operates a single-employer retiree benefit plan which provides medical, prescription drug, and dental benefits for retirees and their spouses. There are 33 active and 2 retired members in the plan. Covered individuals include any eligible individual employed by the City. Individuals retiring from service with the City are eligible under the Municipal Fire and Police Retirement System of Iowa (MFPRS) or Iowa Public Employees Retirement System (IPERS). Retiring individual must have a minimum of four years of experience with the City as well as be at least 55 years of age. Coverage ceases upon reaching age 65 or the individual becomes eligible for Medicare.

The medical, prescription drug, and dental coverage is provided through a self-insured plan with Employee Benefit Systems. Retirees under age 65 pay the full amount of the premium for the medical/dental/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. Monthly medical premiums for active members are \$562 for single coverage and \$1,252 for family coverage. Monthly dental premiums for active members are \$26 for single coverage and \$55 for family coverage. The same monthly premiums apply to retirees.

Annual OPEB Cost and Net OPEB Obligation – The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

**CITY OF HARLAN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) – (Continued)**

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 47,490
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	47,490
Contributions made	<u>(10,412)</u>
Increase in net OPEB obligation	37,078
Net OPEB obligation beginning of year	<u>74,156</u>
Net OPEB obligation end of year	<u>\$ 111,234</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2011. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 47,490	21.9%	\$ 37,078
June 30, 2013	\$ 47,490	21.9%	\$ 37,078
June 30, 2014	\$ 47,490	21.9%	\$ 37,078

**Funded Status and Funding Progress** – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$317,393, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$317,393. The covered payroll (annual payroll of active employees covered by the plan) was \$1,440,117 and the ratio of the UAAL to covered payroll was 22.0%. As of June 30, 2014, there were no trust fund assets.

**Actuarial Methods and Assumptions** – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan

**CITY OF HARLAN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

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**Note 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the alternative measurement method was used. The ultimate medical trend rate is 8.0%. The medical trend rate is reduced 0.5% each year until reaching the 5.0% ultimate rate.

Mortality rates are from the 2004 United States Life Tables. Annual termination probabilities were developed from specific aged-based data from GASB Statement 45. Annual retirement probabilities were developed based on the historical average age for the covered group.

Projected claim costs of the medical plan are \$11,676 per year for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**Note 15 - FORGIVABLE LOANS**

The City offers forgivable loans to new businesses in Harlan. The purpose of the loan is to stimulate the local economy and encourage local businesses to create and maintain new jobs within Harlan. If the business does not maintain the required number of full-time equivalent positions as stipulated in the agreement, the City penalizes the business until the number of jobs returns to the required minimum in the agreement. If the business meets the requirements throughout, the loan is forgiven at the end of the contract period.

In October 2011, the City issued a forgivable loan in the amount of \$30,000 to Elite. The agreement requires the company to maintain 20 full-time equivalent positions for 3 years until October 2014. As of June 30, 2014, Elite has met the requirements of the loan and therefore, no receivable has been recorded at year end.

**Note 16 – PROSPECTIVE ACCOUNTING CHANGE**

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

**Note 17 – SUBSEQUENT EVENT**

On September 9, 2014, the City Council approved issuance of \$1,835,000 General Obligation bonds and on July 15, 2014 approved a \$1,855,000 contract airport paving reconstruction.

## REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF HARLAN, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
BALANCES - BUDGET AND ACTUAL (CASH BASIS) -**

**Governmental Funds and Proprietary Funds**

**For the Year Ended June 30, 2014**

	<b>Governmental Funds Actual</b>	<b>Proprietary Funds Actual</b>
<b>Receipts:</b>		
Taxes	\$ 2,433,911	\$ -
Special Assessments	2,603	-
Tax Increment Financing	654,322	-
Other City Taxes	558,344	-
Licenses and Permits	15,806	-
Intergovernmental Revenue	765,699	-
Charges for Services	449,846	15,592,448
Payments in Lieu of Taxes	316,291	-
Fines and Forfeits	20,749	-
Contributions	151,676	-
Revenue from Use of Property	44,238	-
Interest on Investments	12,230	49,108
Miscellaneous	125,995	32,340
Total Revenue	<u>5,551,710</u>	<u>15,673,896</u>
<b>Disbursements:</b>		
Public Safety	1,199,661	-
Public Works	1,259,215	-
Culture and Recreation	904,561	-
Community and Economic Development	303,146	-
General Government	842,591	-
Capital Projects	605,313	-
Debt Service	876,086	-
Business-Type Activities	-	15,670,754
Total Expenditures	<u>5,990,573</u>	<u>15,670,754</u>
Excess (deficiency) of receipts over disbursements	<u>(438,863)</u>	<u>3,142</u>
<b>Other financing sources (uses):</b>		
Proceeds from Debt Issuance		733,463
Proceeds of Capital Asset Sales	255,648	-
Transfers In	1,253,221	193,981
Transfers Out	(1,447,202)	-
Total other financing sources (uses)	<u>61,667</u>	<u>927,444</u>
Net Change in Balances	(377,196)	930,586
Balances - beginning of year	<u>4,010,716</u>	<u>17,131,616</u>
Balances - end of year	<u>\$ 3,633,520</u>	<u>\$ 18,062,202</u>

Total Actual	Budgeted Amounts		Final to Actual Variance
	Original	Final	
\$ 2,433,911	\$ 2,402,442	\$ 2,402,442	\$ 31,469
2,603	500	500	2,103
654,322	701,650	701,650	(47,328)
558,344	505,815	505,815	52,529
15,806	79,250	79,250	(63,444)
765,699	880,581	880,581	(114,882)
16,042,294	15,167,607	15,167,607	874,687
316,291	-	-	316,291
20,749	-	-	20,749
151,676	-	-	151,676
44,238	117,914	117,914	(73,676)
61,338	-	-	61,338
158,335	38,835	38,835	119,500
<u>21,225,606</u>	<u>19,894,594</u>	<u>19,894,594</u>	<u>1,331,012</u>
1,199,661	1,414,983	1,417,083	217,422
1,259,215	1,063,404	1,063,404	(195,811)
904,561	907,062	957,062	52,501
303,146	311,700	311,700	8,554
842,591	658,090	658,090	(184,501)
605,313	-	1,500,000	894,687
876,086	745,153	745,153	(130,933)
15,670,754	13,693,319	14,552,749	(1,118,005)
<u>21,661,327</u>	<u>18,793,711</u>	<u>21,205,241</u>	<u>(456,086)</u>
<u>(435,721)</u>	<u>1,100,883</u>	<u>(1,310,647)</u>	<u>874,926</u>
733,463	-	-	733,463
255,648	-	-	255,648
1,447,202	1,292,402	1,292,402	154,800
<u>(1,447,202)</u>	<u>(1,292,402)</u>	<u>(1,292,402)</u>	<u>(154,800)</u>
<u>989,111</u>	<u>-</u>	<u>-</u>	<u>989,111</u>
553,390	1,100,883	(1,310,647)	1,864,037
<u>21,142,332</u>	<u>21,142,332</u>	<u>21,142,332</u>	<u>-</u>
<u>\$ 21,695,722</u>	<u>\$ 22,243,215</u>	<u>\$ 19,831,685</u>	<u>\$ 1,864,037</u>

**CITY OF HARLAN, IOWA**  
**BUDGET TO GAAP RECONCILIATION**  
**REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING**  
**For the Year Ended June 30, 2014**

	<b>Cash Basis</b>	<b>Accrual Adjustments</b>	<b>Modified/Full Accrual Basis</b>
Revenue:			
Taxes	\$ 3,088,233	\$ 514,107	\$ 3,602,340
Special Assessments	2,603	-	2,603
Tax Increment Financing	-	-	-
Other City Taxes	558,344	(558,344)	-
Licenses and Permits	15,806	67,594	83,400
Intergovernmental Revenue	765,699	46,400	812,099
Charges for Services	16,042,294	192,222	16,234,516
Payments in Lieu of Taxes	316,291	(26,708)	289,583
Fines and Forfeits	20,749	1,342	22,091
Contributions	151,676	1	151,677
Refunds/Reimbursements	-	246,964	246,964
Revenue from Use of Property	44,238	(20,322)	23,916
Interest on Investments	61,338	-	61,338
Miscellaneous	158,335	(25,569)	132,766
Total Revenue	<u>21,225,606</u>	<u>437,687</u>	<u>21,663,293</u>
Expenditures/Expenses:			
Public Safety	1,199,661	4,884	1,204,545
Public Works	1,259,215	(15,529)	1,243,686
Culture and Recreation	904,561	17,306	921,867
Community and Economic Development	303,146	313,493	616,639
General Government	842,591	637	843,228
Capital Projects	605,313	11,322	616,635
Debt Service	876,086	(270,773)	605,313
Business-Type Activities	15,670,754	(1,652,344)	14,018,410
Total Expenditures/Expenses	<u>21,661,327</u>	<u>(1,591,004)</u>	<u>20,070,323</u>
Excess (Deficiency) of Revenues Over Expenditures/Expenses	<u>(435,721)</u>	<u>2,028,691</u>	<u>1,592,970</u>
Other financing sources (uses):			
Proceeds from Debt Issuance	733,463	(733,463)	-
Proceeds of Capital Asset Sales	255,648	(17,388)	238,260
Transfers In	1,447,202	-	1,447,202
Transfers Out	(1,447,202)	-	(1,447,202)
Total other financing sources (uses)	<u>989,111</u>	<u>(750,851)</u>	<u>238,260</u>
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures/Expenses and Other (Uses)	<u>553,390</u>	<u>1,277,840</u>	<u>1,831,230</u>
Fund Balance/Retained Earnings - beginning of year	<u>21,142,332</u>	<u>19,599,581</u>	<u>40,741,913</u>
Fund Balance/Retained Earnings - end of year	<u>\$21,695,722</u>	<u>\$ 20,877,421</u>	<u>\$ 42,573,143</u>

**CITY OF HARLAN, IOWA**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**June 30, 2014**

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The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Funds, and appropriates the amount deemed necessary for each of the different City offices and departments. The budgets may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end. During the year ended June 30, 2014, one budget amendment was adopted increasing budgeted disbursements by \$2,411,530.

Formal and legal budgetary control is based upon 9 major classes of expenditures known as functions, not by fund. These 9 functions are: public safety, public works, community and economic development, health and social services, culture and recreation, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department.

During the fiscal year ended June 30, 2014, disbursements exceeded the amounts budgeted in the Public Works, General Government, Debt Service and Business-type functions.



CITY OF HARLAN, IOWA  
Schedule of Funding Progress for the  
Retiree Health Plan

Required Supplementary Information						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Approximate Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2012	-	\$ 317,393	\$ 317,393	0.00%	\$1,440,000	22.0%
July 1, 2012	-	\$ 317,393	\$ 317,393	0.00%	\$1,440,000	22.0%
July 1, 2012	-	\$ 317,393	\$ 317,393	0.00%	\$1,440,000	22.0%

See Note 14 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## OTHER SUPPLEMENTARY INFORMATION

**CITY OF HARLAN, IOWA**  
**COMBINING BALANCE SHEET**  
**Governmental Nonmajor Funds**  
**June 30, 2014**

	Special Revenue		Capital Projects
	Road Use Tax	Local Option Sales Tax	Library Building
<b>Assets</b>			
Cash and Cash Equivalents	\$ 165,787	\$ 59,972	\$ 7,661
Receivables (Net, where applicable, of allowance for uncollectibles)			
Due from Other Governmental Agencies	39,395	87,936	-
Inventories	59,590	-	-
<b>Total Assets</b>	<b>264,772</b>	<b>147,908</b>	<b>7,661</b>
<b>Liabilities</b>			
Accounts Payable	1,546	-	-
Accrued Wages	8,937	-	-
Due to Other Funds	-	-	-
<b>Total Liabilities</b>	<b>10,483</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>			
Non-Spendable:			
Inventories	59,590	-	-
Restricted:			
Local Option Sales Tax Purposes	-	147,908	-
Streets	194,699	-	-
Assigned:			
Capital Projects	-	-	7,661
Unassigned	-	-	-
<b>Total Fund Balances</b>	<b>254,289</b>	<b>147,908</b>	<b>7,661</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 264,772</b>	<b>\$ 147,908</b>	<b>\$ 7,661</b>

Capital Projects					
College Park Plaza	Activity Center	Street Overlay	GH Christiansen Subdivision	Airport Improvement	
\$ 21,491	\$ 69,429	\$ 3,037	\$ -	\$ -	
-	-	-	-	-	
-	-	-	-	-	
21,491	69,429	3,037	-	-	
-	10,115	-	-	-	
-	-	-	-	-	
-	-	-	54,850	49,378	
-	10,115	-	54,850	49,378	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
21,491	59,314	3,037	-	-	
-	-	-	(54,850)	(49,378)	
21,491	59,314	3,037	(54,850)	(49,378)	
\$ 21,491	\$ 69,429	\$ 3,037	\$ -	\$ -	

**CITY OF HARLAN, IOWA**  
**COMBINING BALANCE SHEET**  
**Governmental Nonmajor Funds**  
**June 30, 2014**

	<b>Capital Projects</b>		<b>Total</b>
	<b>Pioneer Park</b>	<b>Housing Rehab 1998</b>	<b>Governmental Nonmajor Funds</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ -	\$ -	\$ 327,377
Receivables (Net, where applicable, of allowance for uncollectibles)			
Due from Other Governmental Agencies	-	63,812	191,143
Inventories	-	-	59,590
<b>Total Assets</b>	<u>-</u>	<u>63,812</u>	<u>578,110</u>
<b>Liabilities:</b>			
Accounts Payable	16,000	63,812	91,473
Accrued Wages	-	-	8,937
Due to Other Funds	-	16,904	121,132
<b>Total Liabilities</b>	<u>16,000</u>	<u>80,716</u>	<u>221,542</u>
<b>Fund Balances</b>			
Non-Spendable:			
Inventories	-	-	59,590
Restricted:			
Local Option Sales Tax Purposes	-	-	147,908
Streets	-	-	194,699
Assigned:			
Capital Projects	-	-	91,503
Unassigned	(16,000)	(16,904)	(137,132)
<b>Total Fund Balances</b>	<u>(16,000)</u>	<u>(16,904)</u>	<u>356,568</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u>\$ -</u>	<u>\$ 63,812</u>	<u>\$ 578,110</u>

**CITY OF HARLAN, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**Governmental Nonmajor Funds**  
**For the Year Ended June 30, 2014**

	Special Revenue		Capital Projects
	Road Use Tax	Local Option Sales Tax	Library Building
Revenue:			
Taxes	\$ -	\$ 456,211	\$ -
Intergovernmental Revenue	507,433	-	-
Contributions	-	-	-
Total Revenue	507,433	456,211	-
Expenditures:			
Public Works	440,652	130,000	-
Culture and Recreation	-	3,500	-
Community and Economic Development	-	-	-
General Government	-	9,000	-
Capital Projects	-	-	-
Total Expenditures	440,652	142,500	-
Excess (deficiency) of revenues over expenditures	66,781	313,711	-
Other financing sources (uses):			
Transfers In	-	-	-
Transfers Out	-	(326,565)	-
Total other financing sources (uses)	-	(326,565)	-
Net Change in Fund Balance	66,781	(12,854)	-
Fund balances (deficits) -beginning of year	187,508	160,762	7,661
Fund balances (deficits) - end of year	\$ 254,289	\$ 147,908	\$ 7,661

Capital Projects				
College Park Plaza	Activity Center	Street Overlay	GH Christiansen Subdivision	Airport Improvement
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	100,000	-	-	-
-	100,000	-	-	-
-	-	40	-	-
-	-	-	-	-
-	65,392	-	901	-
-	-	-	-	-
-	-	-	-	8,214
-	65,392	40	901	8,214
-	34,608	(40)	(901)	(8,214)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	34,608	(40)	(901)	(8,214)
21,491	24,706	3,077	(53,949)	(41,164)
\$ 21,491	\$ 59,314	\$ 3,037	\$ (54,850)	\$ (49,378)

**CITY OF HARLAN, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**Governmental Nonmajor Funds**  
**For the Year Ended June 30, 2014**

	Capital Projects		Total
	Pioneer Park	Housing Rehab 1998	Governmental Nonmajor Funds
Revenue:			
Taxes	\$ -	\$ -	456,211
Intergovernmental Revenue	-	221,055	728,488
Contributions	-	-	100,000
Total Revenue	-	221,055	1,284,699
Expenditures:			
Public Works	-	-	570,692
Culture and Recreation	16,000	-	19,500
Community and Economic Development	-	238,425	304,718
General Government	-	-	9,000
Capital Projects	-	-	8,214
Total Expenditures	16,000	238,425	912,124
Excess (deficiency) of revenues over expenditures	(16,000)	(17,370)	372,575
Other financing sources (uses):			
Transfers In	-	466	466
Transfers Out	-	-	(326,565)
Total other financing sources (uses)	-	466	(326,099)
Net Change in Fund Balance	(16,000)	(16,904)	46,476
Fund balances (deficits) -beginning of year	-	-	310,092
Fund balances (deficits) - end of year	\$ (16,000)	\$ (16,904)	\$ 356,568



**CITY OF HARLAN, IOWA**  
**COMBINING STATEMENT OF NET POSITION**  
**Internal Service Funds**  
**June 30, 2014**

	<b>Equipment Revolving</b>	<b>Group Insurance</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 457,902	\$ 6,106	\$ 464,008
Receivables (Net, where applicable, of allowance for uncollectibles)			
Other	4,200	-	4,200
Total Current Assets	<u>462,102</u>	<u>6,106</u>	<u>468,208</u>
<b>Noncurrent Assets</b>			
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	1,069,178	-	1,069,178
Total Noncurrent Assets	<u>1,069,178</u>	<u>-</u>	<u>1,069,178</u>
<b>Total Assets</b>	<u>1,531,280</u>	<u>6,106</u>	<u>1,537,386</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	365	-	365
Claims Incurred But Not Reported	-	40,981	40,981
<b>Total Liabilities</b>	<u>365</u>	<u>40,981</u>	<u>41,346</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	1,069,178	-	1,069,178
Unrestricted	461,737	(34,875)	426,862
<b>Total Net Position</b>	<u>\$ 1,530,915</u>	<u>\$ (34,875)</u>	<u>\$1,496,040</u>

**CITY OF HARLAN, IOWA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**Internal Service Funds**  
**For the Year Ended June 30, 2014**

	<b>Equipment Revolving</b>	<b>Group Insurance</b>	<b>Total</b>
<b>Operating Revenues:</b>			
Charges for Services	\$ 316,423	\$ -	\$ 316,423
Miscellaneous	40,301	-	40,301
Reimbursement from Employees/Insurance	-	957,772	957,772
<b>Total Operating Revenue</b>	<u>356,724</u>	<u>957,772</u>	<u>1,314,496</u>
<b>Operating Expenses:</b>			
Public Safety	35,749	-	35,749
Public Works	16,165	-	16,165
Culture and Recreation	43,905	-	43,905
General Government	4,558	971,622	976,180
Depreciation	234,669	-	234,669
<b>Total Operating Expenses</b>	<u>335,046</u>	<u>971,622</u>	<u>1,306,668</u>
<b>Operating Income (Loss)</b>	<u>21,678</u>	<u>(13,850)</u>	<u>7,828</u>
<b>Other Financing Sources</b>			
Transfers (Out)	(32,340)	-	(32,340)
<b>Total Other Financing Sources</b>	<u>(32,340)</u>	<u>-</u>	<u>(32,340)</u>
<b>Change in Net Position</b>	<u>(10,662)</u>	<u>(13,850)</u>	<u>(24,512)</u>
<b>Net Position (Deficit)- Beginning</b>	<u>1,541,577</u>	<u>(21,025)</u>	<u>1,520,552</u>
<b>Net Position (Deficit) - Ending</b>	<u>\$ 1,530,915</u>	<u>\$ (34,875)</u>	<u>\$ 1,496,040</u>

**CITY OF HARLAN, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Internal Service Funds**  
**For the Year Ended June 30, 2014**

	<b>Equipment Revolving</b>	<b>Group Insurance</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers	\$ 389,671	\$ 957,772	\$ 1,347,443
Cash Paid to Suppliers for Goods and Services	(154,584)		(154,584)
Cash Paid to Employees for Services		(951,666)	(951,666)
Net Cash Provided by Operating Activities	<u>235,087</u>	<u>6,106</u>	<u>241,193</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and Construction of Capital Assets	(110,618)	-	(110,618)
Net Cash (Used) for Capital and Related Financing Activities	<u>(110,618)</u>	<u>-</u>	<u>(110,618)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Transfers to Other Funds	(32,340)	-	(32,340)
Due From (To) Other Funds	(32,822)	-	(32,822)
Net Cash (Used) for Non-Capital Financing Activities	<u>(65,162)</u>	<u>-</u>	<u>(65,162)</u>
Net increase in Cash and Cash Equivalents	59,307	6,106	65,413
Cash and Cash Equivalents at Beginning of Year	<u>398,595</u>	<u>-</u>	<u>398,595</u>
Cash and Cash Equivalents at End of Year	<u>457,902</u>	<u>6,106</u>	<u>464,008</u>
Cash and Cash Equivalents:			
Unrestricted	<u>\$ 457,902</u>	<u>\$ 6,106</u>	<u>\$ 464,008</u>

(Continued)

**CITY OF HARLAN, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS (Continued)**  
**Internal Service Funds**  
**For the Year Ended June 30, 2014**

	<b>Equipment Revolving</b>	<b>Group Insurance</b>	<b>Total</b>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	<u>21,678</u>	<u>(13,850)</u>	<u>7,828</u>
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	234,669	-	234,669
(Increase) Decrease in Assets:			
Accounts Receivable	32,947	-	32,947
Increase (Decrease) in Liabilities			
Accounts Payable	(54,207)		(54,207)
Claims Incurred But Not Reported		19,956	19,956
Total Adjustments	<u>213,409</u>	<u>19,956</u>	<u>233,365</u>
Net Cash Provided by Operating Activities	<u>\$ 235,087</u>	<u>\$ 6,106</u>	<u>\$ 241,193</u>

**CITY OF HARLAN, IOWA**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND**  
**Fiduciary Funds**  
**June 30, 2014**

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014
<b>FLEX SPENDING</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 971	\$ 7,954	\$ 8,664	\$ 261
<b>Total Assets</b>	971	7,954	8,664	261
<b>LIABILITIES</b>				
Other Payables	971	7,954	8,664	261
<b>Total Liabilities</b>	\$ 971	\$ 7,954	\$ 8,664	\$ 261

**CITY OF HARLAN, IOWA**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**Fiduciary Funds**  
**June 30, 2014**

	Private Purpose Trust Funds					
	C Hansen/ Schildberg	Library	Beebe	Police	Loree/ Poynter	Totals
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 271	\$ 9,076	\$ 12,995	\$ 7,142	\$ 1,683	\$ 31,167
<b>Total Assets</b>	271	9,076	12,995	7,142	1,683	31,167
<b>NET POSITION</b>						
Restricted - Held in Trust	271	9,076	12,995	7,142	1,683	31,167
<b>Total Net Position</b>	<u>\$ 271</u>	<u>\$ 9,076</u>	<u>\$ 12,995</u>	<u>\$ 7,142</u>	<u>\$ 1,683</u>	<u>\$ 31,167</u>

**CITY OF HARLAN, IOWA**  
**COMBINING STATEMENT OF CHANGES IN NET POSITION**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2014**

	Private Purpose Trust Funds					Totals
	C Hansen/ Schildberg	Library	Beebe	Police	Loree/ Poynter	
<b>Additions</b>						
Contributions	\$ -	\$ -	\$ -	\$ 4,806	\$ -	\$ 4,806
Total Additions	-	-	-	4,806	-	4,806
<b>Deductions</b>						
Public Safety	-	-	-	2,059	-	2,059
Total Deductions	-	-	-	2,059	-	2,059
Changes in Net Position	-	-	-	2,747	-	2,747
Net Positon Beginning of Year	271	9,076	12,995	4,395	1,683	28,420
Net Position End of Year	\$ 271	\$ 9,076	\$ 12,995	\$ 7,142	\$ 1,683	\$ 31,167

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Members of the City Council  
City of Harlan, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Harlan, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Harlan, Iowa's basic financial statements and have issued our report thereon dated November 11, 2014. Our report includes a reference to other auditors. Other auditors audited the financial statements of the Harlan Municipal Utilities, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

***Internal Control Over Financial Reporting:***

In planning and performing our audit of the financial statements, we considered the City of Harlan, Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Harlan, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Harlan, Iowa's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detects and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings to be a material weakness.

***Compliance and Other Matters:***

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.



***City of Harlan, Iowa's Response to Findings***

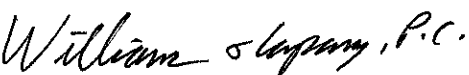
City of Harlan, Iowa's response to the findings identified in our audit is described in the accompanying schedule of findings. The City of Harlan, Iowa's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit.

If you have any questions concerning the above matters, we would be pleased to discuss them with you at your convenience.

  
Certified Public Accountants

Le Mars, Iowa  
November 11, 2014

**CITY OF HARLAN, IOWA**  
**Schedule of Findings**  
**For the Year Ended June 30, 2014**

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**Part I: Summary of the Independent Auditors' Results**

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

**Part II: Findings Related to the Financial Statements:**

**Instances of Non-Compliance:**

No matters were noted.

**Material Weakness:**

**II-A-14 Financial Reporting**

Observation - During the audit, we identified material amounts of receivables and payables not recorded in the City's financial statements. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation - The City should implement procedures to ensure all receivables and payables are identified and included in the City's financial statements.

Response - We will double check these in the future to avoid any missing receivables and payables.

Conclusion - Response accepted.

**Part III: Other Findings Related to Statutory Reporting:**

- III-A-14 - Certified Budget - Disbursements during the year ended June 30, 2014, exceeded the amounts budgeted in the Public Works, General Government, Debt Service and Business Type functions.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

- III-B-14 - Questionable Expenditures - We noted no questionable expenditures during our audit.

- III-C-14 - Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

- III-D-14 - Business Transactions - There were no business transactions between the City and City officials identified during the audit.

**CITY OF HARLAN, IOWA**  
**Schedule of Findings**  
**For the Year Ended June 30, 2014**

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**Part III: Other Findings Related to Statutory Reporting (Continued):**

- III-E-14 - Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. However, we recommend that the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations.
  
- III-F-14 - Council Minutes - We noted no transactions requiring approval which had not been approved by the Council.
  
- III-G-14 - Cash and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
  
- III-H-14 Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1.